

**South Carolina Department of Agriculture
Beef Council**

Basic Financial Statements

June 30, 2021

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
BEEF COUNCIL**

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INDEPENDENT AUDITOR'S REPORT

Members of the South Carolina Beef Council
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Department of Agriculture – Beef Council (the “Beef Council”) special revenue fund as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Beef Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the Beef Council has not recorded a pension liability or an other postemployment benefits (OPEB) liability in the financial statements. The Governmental Accounting Standards Board (GASB) requires that the Beef Council recognize its proportionate share of the liability as a participant in the South Carolina Retirement System, the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund. The effect on the accompanying financial statements for the failure to record the liability has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Department of Agriculture — Beef Council special revenue fund as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements of the South Carolina Department of Agriculture – Beef Council special revenue fund are intended to present the financial position and results of operations of only that portion of the funds of the South Carolina Department of Agriculture attributable to the transactions of the Beef Council special revenue fund and do not include any other accounts or funds of the South Carolina Department of Agriculture or any other department or component unit of the State of South Carolina, and are not intended to present fairly the financial statements and results of operations of the South Carolina Department of Agriculture in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the Beef Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Beef Council's internal control over financial reporting and compliance.



Columbia, South Carolina
November 23, 2021

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
BEEF COUNCIL
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2021**

	Special Revenue Fund		
	Checkoff Assessments - Federal	Checkoff Assessments - State	Total
ASSETS			
Cash	\$ 21,949	\$ 108,713	\$ 130,662
Accounts receivable	11,602	4,587	16,189
Total assets	<u>33,551</u>	<u>113,300</u>	<u>146,851</u>
LIABILITIES			
Accounts payable	11,271	-	11,271
Accrued salaries and related benefits	5,262	-	5,262
Total liabilities	<u>16,533</u>	<u>-</u>	<u>16,533</u>
FUND BALANCE			
Assigned	<u>17,018</u>	<u>113,300</u>	<u>130,318</u>
Total liabilities and fund balance	<u>\$ 33,551</u>	<u>\$ 113,300</u>	<u>\$ 146,851</u>

The accompanying notes are an integral part of the financial statements.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
BEEF COUNCIL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Fund		
	Checkoff Assessments -	Checkoff Assessments -	
	Federal	State	Total
REVENUE			
Assessments	\$ 176,704	\$ 67,460	\$ 244,164
Less, assessments remitted to Cattlemen's Beef Promotion and Research Board	(70,532)	-	(70,532)
Less, assessments remitted to other states	(35,427)	-	(35,427)
Net assessments	70,745	67,460	138,205
EXPENDITURES			
Advertising and promotion	21,537	38,070	59,607
Salaries and benefits	56,583	-	56,583
Operating costs	9,948	1,887	11,835
Board meetings and related costs	105	-	105
Total expenditures	88,173	39,957	128,130
Excess (deficiency) of revenue over (under) expenditures	(17,428)	27,503	10,075
Intra-program activity	(99,861)	99,861	-
Fund balance, beginning	134,307	(14,064)	120,243
Fund balance, ending	\$ 17,018	\$ 113,300	\$ 130,318

The accompanying notes are an integral part of the financial statements.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Reporting Entity

The South Carolina Cattle and Beef Board was established January 3, 1985, as a commodity board under Section 46-17-190 of the South Carolina Code of Laws. The Board approved a name change to the South Carolina Beef Council (also referred as the “South Carolina Department of Agriculture - Beef Council” or the “Beef Council”). The Department of Agriculture is considered part of the State of South Carolina’s primary government and as such is included in the State of South Carolina’s Annual Comprehensive Financial Report. The Beef Council was established for education, promotion and research to strengthen the cattle and beef industry’s position in the marketplace.

The South Carolina Beef Council, whose members are elected by local producers, is the governing body of the Beef Council.

The South Carolina Department of Agriculture administers the funds of the Beef Council. The Beef Council operates as a special revenue fund of the Department of Agriculture. The accompanying financial statements present the financial position and results of operations solely of the Beef Council special revenue fund and do not include any other funds of the State of South Carolina.

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements were prepared using the fund accounting principles per the Government Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. Government resources are allocated to and accounted for in this individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specific purposes.

Originally the Beef Council assessments program was financed exclusively by an assessment of \$1 per head assessment on sales of domestic and imported cattle and beef products in order to support beef/veal promotion, research and information through the *Beef Promotion and Research Act of 1985*. The Cattlemen’s Beef Promotion and Research Board receives approximately one-half of assessment monies and the Beef Council retains the remainder. Beginning on January 1, 2015, an additional \$0.50 per head assessment was implemented, with certain exceptions. These assessments are retained by the Beef Council and recorded in a separate account. The assessments received are to be used for in-state promotion, research and education as outlined under the *South Carolina Marketing Order for Cattle and Beef*.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Special revenue funds are governmental funds which are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the Beef Council considers revenues to be available if they are collected within thirty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Budgetary Controls

Several months prior to the start of the fiscal year, the Executive Director of the Beef Council develops a budget proposal for revenue and expenditures. The proposal is developed through evaluation of historical financial data and knowledge of future events. The proposal is presented to the Beef Council for both discussion and review.

Fund Balances

The Beef Council reports the following classifications of fund balances:

Nonspendable – Fund balances that are not in spendable forms or are required to be maintained intact.

Restricted – Fund balances that are limited to restrictions by creditors, grantors, laws, and regulations of other governments.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the South Carolina Beef Council.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned – Fund balances that are not constrained for any particular purpose.

At June 30, 2021, the Beef Council’s fund balance has been classified as assigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(Continued)

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Pension

In 2015, the Beef Council adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 27*, which requires that the Beef Council recognize in its financial statements its proportionate share of pension liability as a participant in the South Carolina Retirement System. The Beef Council's funds are administered by the South Carolina Department of Agriculture, and the Beef Council's sole employee is included in the South Carolina Department of Agriculture's pension liability. However, the Beef Council has not determined its proportionate share of the pension liability. See Note 3 for additional information.

Other Postemployment Benefits (OPEB)

In 2018, the State of South Carolina adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB requires that the Beef Council recognize in its financial statements its proportionate share of the other postemployment benefits liability as a participant in the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund. The Beef Council's funds are administered by the South Carolina Department of Agriculture, and the Beef Council's sole employee is included in the South Carolina Department of Agriculture's other postemployment benefits liability. However, the Beef Council has not determined its proportionate share of the other postemployment benefits liability. See Note 4 for additional information.

Intra-Program Activity

The Beef Council made various transfers during the year to account for funds owed to/from each assessment program for prior years. Amounts of the transfers were based on reconciliations prepared by the Cattlemen's Beef Board (CBB).

NOTE 2 – DEPOSITS

All deposits of the South Carolina Department of Agriculture – Beef Council are under the control of the State Treasurer who, by law, has sole authority for investing State Funds.

South Carolina State law requires full collateralization of all South Carolina State Treasurer bank balances. The South Carolina State Treasurer must correct any deficiencies in collateral within seven (7) days. As of June 30, 2021, all South Carolina State Treasurer bank balances were fully insured or collateralized with securities held by the State of South Carolina or its agent in the State of South Carolina's name.

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Beef Council's deposits may not be returned, or the Beef Council will not be able to recover collateral securities in the possession of an outside party.

Section 11-13-60 of the South Carolina Code of Laws requires these funds to be fully insured or collateralized. All deposits of the Beef Council met these requirements and are either covered by federal depository insurance or collateralized with securities held by the depository financial institution's trust department or agent in the Beef Council's name.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PENSION PLAN

Plan Description

The sole employee of the Beef Council is eligible to participate in a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefits Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental death benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Annual Comprehensive Financial Report (ACFR) which includes financial statements and required supplementary information. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. Furthermore, the Division and the five pension plans are included in the State of South Carolina's ACFR.

Plan Benefits

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90).

The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, the AFC is the average annual earnable compensation during the highest 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, the AFC is the average annual earnable compensation during the highest 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 5 years of earned service and either have at least 15 years of total service credit or are at least 60 years of age at time of death.

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SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PENSION PLAN (CONTINUED)

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

Effective July 1, 2020, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The SCRS contribution rate for fiscal year 2021 is a base retirement contribution of 15.41%, .15% for incidental death benefits and a 6.25% surcharge that will fund retiree health and dental insurance coverage (see Note 4). The Beef Council's contribution to the SCRS for the fiscal year ended June 30, 2021 was approximately \$6,770 excluding the surcharge. Also, the Beef Council paid employer incidental death benefit contributions of approximately \$64 at the rate of .15% of compensation for the fiscal year ended June 30, 2021.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

The Beef Council's funds are administered by the South Carolina Department of Agriculture, and the Beef Council's sole employee is included in the South Carolina Department of Agriculture's pension liability. At June 30, 2021 a calculation has not been made to determine how much of its pension liability should be allocated to the Beef Council and as such, this liability has not been recorded in its financial statements.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Beef Council contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Plan Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB. The covered payroll surcharge for the fiscal year ended June 30, 2021 was 6.25%.

For active employees who are not funded by State General Fund appropriations, participating employees are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office.

The Beef Council paid approximately \$2,750 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2021. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF.

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SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

PEBA, Insurance Benefits Division, issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the annual comprehensive financial report of the state.

The Beef Council's funds are administered by the South Carolina Department of Agriculture, and the Beef Council's sole employee is included in the South Carolina Department of Agriculture's OPEB liability. At June 30, 2021 a calculation has not been made to determine how much of its OPEB liability should be allocated to the Beef Council and as such, this liability has not been recorded in its financial statements.

NOTE 5 – RELATED PARTY TRANSACTIONS

State Agencies

The Beef Council has certain transactions with the South Carolina Department of Agriculture and various other state agencies.

Services received at no cost from State agencies include maintenance of certain accounting records and disbursement processing from the Comptroller General; check preparation and banking functions from the State Treasurer; legal services from the Attorney General; procurement services from the State Fiscal Accountability Authority; and various other centralized functions from the Department of Administration.

The Department of Agriculture provides to the Beef Council at no cost, office space, clerical help, record keeping, disbursement processing, and other centralized functions.

The Beef Council also had financial transactions with various State agencies during the fiscal year. Payments were made to certain divisions of the Department of Administration for office supplies, telephone, and data processing services. The amount of 2021 expenditures applicable to related party transactions are not readily determinable.

Cattlemen's Beef Promotion and Research Board

The South Carolina Beef Council, as a Qualified State Beef Council, remits a portion of its assessment proceeds to the Cattlemen's Beef Promotion and Research Board. The authority for the formation of the Cattlemen's Beef Promotion and Research Board was the *Beef Promotion and Research Act of 1985* (the Act). The Act provides for the establishment of a coordinated program of promotion and research designed to strengthen the beef industry's position in the marketplace, as well as to maintain and expand domestic and foreign markets and uses for beef and beef products. As provided in the Act, the Secretary of the United State Department of Agriculture issued the *Beef Promotion and Research Order*, effective July 18, 1986, which provides the terms and conditions for the Act's administration. The Cattlemen's Beef Promotion and Research Board consists of various members who are representatives of the cattle industry in the United States, including importers.

(Continued)

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

The federal checkoff program is financed exclusively by an assessment of \$1 per head assessment on sales of domestic and imported cattle and beef products. The Cattlemen's Beef Promotion and Research Board receives approximately one-half of assessment monies and the Beef Council retains the remainder.

National Cattlemen's Beef Association

The National Cattlemen's Beef Association (NCBA) is the national trade association representing U.S. cattle producers. The NCBA works to advance the economic, political and social interests of the U.S. cattle industry and to be an advocate of the industry. Annually the Beef Council may make a contribution that is customarily approximately 10% of the Cattlemen's Beef Promotion and Research Board annual assessment amount to the NCBA. For the year ended June 30, 2021, the Council contributed \$3,734 to the NCBA.

South Carolina Cattlemen's Association

The South Carolina Cattlemen's Association (SCCA) advances the economic, political, and social interests of South Carolina's cattle industry. The SCCA is owned, managed and funded by and for the cattle producers of South Carolina and is a charter affiliate member of the NCBA. Multiple Beef Council members serve on committees of the SCCA. For the year ended June 30, 2021, the Beef Council paid \$3,400 to the South Carolina Cattlemen's Association for promotional activities.

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE – BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RISK MANAGEMENT

The Beef Council is exposed to various risks of loss and maintains State or commercial insurance coverage for certain risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Beef Council. The Beef Council has not had any claims in the past three years. There were no significant reductions in insurance coverage from coverage in the prior year. The South Carolina Department of Agriculture pays insurance premiums to certain State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered premium losses sustained during the policy period in accord with the insurance policy and benefit program limits.

The South Carolina Department of Agriculture provides the Beef Council with insurance at no cost. The South Carolina Department of Agriculture and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss and pays claims incurred for covered losses related to the following Fund assets, activities, and/or events.

1. Personal property and equipment – Eighty percent of each loss is covered by the IRF. Losses are subject to a \$1,000 deductible.
2. Data processing equipment – Coverage is up to \$100,000 per loss with a \$1,000 deductible.
3. Torts.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses. The IRF's rates are determined actuarially.

The South Carolina Department of Agriculture purchases insurance coverage for employee fidelity bond insurance coverage arising from theft or misappropriations. The policy has a \$1,000 deductible with a coverage limit of \$50,000.

All payments for insurance are made by the South Carolina Department of Agriculture, and the Beef Council does not reimburse any of those expenses.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 23, 2021, which is the date that these financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the South Carolina Beef Council
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Carolina Department of Agriculture – Beef Council ("the Beef Council") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Beef Council's basic financial statements, and have issued our report thereon dated November 23, 2021, wherein we noted the Beef Council did not record a liability for pension costs and other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Beef Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beef Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Beef Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Beef Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Specifically, we tested the Beef's Council compliance with the *Beef Promotion and Research Act of 1985* and the *Beef Promotion and Research Order*. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses in finding 2021-001.

Further, nothing came to our attention that caused us to believe the Beef Council was not in compliance with the provisions of the Beef Board *Investment Policy for Qualified State Beef Councils* dated March 14, 2016, which describes the type of instruments in which the Council may invest. Our audit was not, however, directed primarily toward obtaining knowledge of such noncompliance.

The South Carolina Beef Council's Response to Findings

The Beef Council's response to the finding identified during our audit is included in the accompanying Schedule of Findings and Responses. The Beef Council's response was not subject to the auditing procedures applied during the audit of financial statements; therefore, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
November 23, 2021

SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
BEEF COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- | | |
|---|----|
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | No |

Noncompliance with the *Beef Promotion and Research Act of 1985* and the *Beef Promotion and Research Order* as required in Cattlemen's Beef Board *Guidelines for Qualified State Beef Councils* or the Cattlemen's Beef Board *Collections Compliance Manual* Yes

Section II. Financial Statement Findings

None

Section III. Compliance Findings

Item 2021-001: Cost Allocation

Condition:

In response to prior year finding **2020-001**, the Beef Council developed a cost allocation plan. We determined this plan was not prepared in accordance with Cattlemen's Beef Board's (CBB) *Guidelines for Qualified State Beef Councils* (the *Guidelines*). In addition, cost allocations were not recorded in the accounting system.

Context:

The Beef Council prepared a manual cost allocation worksheet at fiscal year-end to allocate fiscal year 2021 salary and overhead costs, but no adjusting journal entries were made to record these allocations in the accounting system. The Beef Council also approved a plan during fiscal year 2021 to allocate advertising/promotion costs; however, the allocation was based on arbitrary percentages and not an equitable method. We determined this allocation was also not made in the accounting system.

Cause:

Beef Council staff misunderstood instructions from the CBB regarding the cost allocations.

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Effect:

The Beef Council failed to allocate costs that it shared with any other entity or funding source in a manner that complies with the *Beef Promotion and Research Act of 1985* and the *Beef Promotion and Research Order* as required in the *Guidelines*.

Criteria:

According to the *Guidelines*, Qualified State Beef Councils (QSBC) must use funds collected under the Act and Order for allowable activities. Therefore, QSBCs must have processes and procedures in place to ensure that checkoff funds are spent only on eligible activities, especially if a QSBC manages multiple funding sources such as administering a state-legislated checkoff program or grant funds. In this situation, a QSBC must distribute compensation and overhead costs (i.e. implementation costs) equitably between all funding sources and/or industry organizations. The *Guidelines* also state that an allocation process, designed to calculate the cost of an organization's activities, should be built on an allocation basis that fairly distributes costs to all activities. Actual time worked by all staff, even those who do not work on activities funded by the federal checkoff, is the recommended allocation basis.

Further, the *Guidelines* state that all funding sources must fairly share in administrative costs and that it is not reasonable for a state's share of the federal checkoff to pay for all administrative costs of an organization when the organization manages more than one funding source. In addition, arbitrary allocation percentages are not acceptable unless the percentage is documented and defensible.

Recommendation:

We recommend the Beef Council develop a cost allocation policy in accordance with CBB *Guidelines* based on an equitable method. The Beef Council should implement the policy and post allocations in the accounting system on a routine basis.

Views of Responsible Officials and Planned Corrective Action:

The South Carolina Beef Council (the Beef Council) will establish and implement a cost allocation plan in accordance with Cattlemen's Beef Board guidelines. The plan will be shared with the Department of Agriculture Finance department to ensure expenditures are allocated in the accounting system according to the plan.

**SOUTH CAROLINA DEPARTMENT OF AGRICULTURE
BEEF COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

Summary Schedule of Prior Audit Findings:

During our current audit, we reviewed the status of corrective action taken on the following findings reported on the Beef Council's financial statements for the year ended June 30, 2020, dated October 26, 2020: **2020-001: Cost Allocation, 2020-002: Allowable Use of Checkoff Funds, and 2020-003: Remittance of Checkoff Assessments to Other States.** We found that corrective action was taken on findings **2020-002** and **2020-003**. The Council did not fully implement corrective action for finding **2020-001**; therefore, we will repeat this finding.